

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING
AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, R.I. 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
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The Providence Center for Counseling and Psychiatric Services
AGENCY FUNDS
For the Fiscal Years Ended June 30, 1997 and 1996

EXECUTIVE SUMMARY

The prior audit report for The Providence Center for Counseling and Psychiatric Services issued May 23, 1997 by the Bureau of Audits, had two findings of which one was complied with.

Based on our contract compliance engagement for the fiscal years ended June 30, 1997 and 1996 we determined the following:

1. The MHRH funded Community Support, Residential, and Acute Alternative Services Program had \$238,104 in excess revenues over expenditures for the fiscal year ended June 30, 1996.
2. Excessive budget line item variances occurred in the Community Support, Residential and Acute Alternative Services Program.
3. Deficiencies were noted with the management of Representative Payee client funds for the fiscal years ended June 30, 1997 and 1996.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

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December 1, 1999

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation, and Hospitals.
Barry Hall
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and The Providence Center for Counseling and Psychiatric Services for the fiscal years ended June 30, 1997 and 1996.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the Director of the Department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of the Providence Center for Counseling and Psychiatric Services for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

SCOPE AND PURPOSE

The purpose of this engagement was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues and expenses were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 1999 and 1998;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include these services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that the Providence Center for Counseling and Psychiatric Services operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's Administrative Offices are located at 520 Hope Street, Providence, Rhode Island.

The Center is governed by a Board of Trustees who are the members of the Providence Community Mental Health Board, appointed by the City of Providence. Presently, there are twenty-three trustees of which seven members of the Board of Trustees shall constitute a quorum at all meetings of said board.



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July 29, 1998

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and the Providence Center for Counseling and Psychiatric Services solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Integrated Mental Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1997 and 1996, included in the accompanying Report on Contract Compliance. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of excess revenues over expenses in the Community Support, Residential and Acute Alternatives Services contract with the Center for the fiscal year 1996; and instances of noncompliance with the financial terms contained within the Community Support, Residential and Acute Alternatives Services contracts for the fiscal years ended June 30, 1997 and 1996. In addition, deficiencies were noted with the management of Representative Payee client funds for the fiscal years


Ms. A. Kathryn Power, Director
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July 29, 1998

ended June 30, 1997 and 1996. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 1997

	Community Support Residential, and Acute Alternatives	General Outpatient Adult	Other Programs	TITLE XIX PROGRAM	TOTAL
<u>Revenues</u>					
MHRH	\$ 1,804,349	279,955	-	-	2,084,304
Other State & Federal	697,524	101,126	3,554,910	-	4,353,560
Title XIX Medicaid	-	-	-	6,847,202	6,847,202
Municipalities	-	110,000	933,843	-	1,043,843
Fund Raising & Contributions	500	-	48,128	-	48,628
Client Fees & Rental Income	145,676	49,689	171,876	-	367,241
Client Activities	12,740	8,250	11,892	-	32,882
Third Party Reimbursements	1,147,459	265,002	792,275	-	2,204,736
Managed Care	-	550,095	-	-	550,095
Interest	-	-	32,612	-	32,612
ProMail Sales	498,066	-	-	-	498,066
Consultations & Other	142,506	14,010	33,966	-	190,482
<u>Total Revenues</u>	<u>\$ 4,448,820</u>	<u>1,378,127</u>	<u>5,579,502</u>	<u>6,847,202</u>	<u>18,253,651</u>
<u>Expenses</u>					
Personnel	6,563,987	1,074,720	4,663,468	-	12,302,175
Operating	3,878,713	434,035	2,178,429	-	6,491,177
Purchasing Equipment	102,189	12,557	79,847	-	194,593
<u>Total Expenses</u>	<u>\$ 10,544,889</u>	<u>1,521,312</u>	<u>6,921,744</u>	<u>0</u>	<u>18,987,945</u>
<u>Other Financial Sources (Uses)</u>					
Interfund Transfers-Title XIX Medicaid	5,807,873	66,451	972,878	(6,847,202)	
<u>Excess (Deficiency) of Revenues Over Expenses</u>	<u>\$ (288,196)</u>	<u>(76,734)</u>	<u>(369,364)</u>	<u>0</u>	<u>(734,294)</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1996

	Community Support, Residential, and Acute Alternatives	General Outpatient Adult	Other Programs	Title XIX Program	Total
<u>Revenues</u>					
MHRH	\$ 2,161,974	292,997	-	-	2,454,971
Other State & Federal	367,241	104,010	4,259,703	-	4,730,954
Title XIX Medicaid	-	-	-	7,019,566	7,019,566
Municipalities	-	104,090	150,410	-	254,500
Fundraising	116	39,949	8,473	-	48,538
Contributions	-	6,768	3,012	-	9,780
Other Grants, Contracts & Trusts	-	-	68,525	-	68,525
Client Fees	8,403	40,621	26,862	-	75,886
Client Activities	386,846	-	12,139	-	398,985
Third Party Reimbursements	908,682	204,026	338,179	-	1,450,887
Consultations & Managed Care	59,427	582,683	779,168	-	1,421,278
Interest	28,722	10,927	4,705	-	44,354
Rental Income	117,486	-	-	-	117,486
Miscellaneous	1,077	2,398	5,268	-	8,743
 Total Revenues	 \$ 4,039,974	 1,388,469	 5,656,444	 7,019,566	 18,104,453
<u>Expenses</u>					
Personnel	5,921,717	1,022,458	4,570,163	-	11,514,338
Operating	3,594,029	396,561	2,190,890	-	6,181,480
Purchased Equipment	103,328	6,646	194,804	-	304,778
 Total Expenses	 \$ 9,619,074	 1,425,665	 6,955,857	 0	 18,000,596
<u>Other Financial Sources (Uses)</u>					
Interfund Transfer - Title XIX - Medicaid	5,817,204	41,511	1,160,851	(7,019,566)	
 Excess (Deficiency) of Revenues Over Expenses	 \$ 238,104	 4,315	 (138,562)	 0	 103,857

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEAR ENDED JUNE 30, 1997 AND 1996

	<u>Fiscal Year Ended June 30</u>	
	<u>1997</u>	<u>1996</u>
Beginning Balance	\$ 0	0
Revenues Received Designated for Programs	<u>6,847,202</u>	<u>7,019,566</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	5,807,873	5,817,204
General Outpatient Adult Services	66,451	41,511
Other Programs	<u>972,878</u>	<u>1,160,851</u>
Total Applied	\$ <u>6,847,202</u>	<u>7,019,566</u>
Ending Balance	\$ <u><u>0</u></u>	<u><u>0</u></u>

See accompanying notes to financial information.

:SP-20C.wk1

EXHIBIT D

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATE MATCHING GRANT PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	<u>Fiscal Year Ended June 30</u>	
	<u>1997</u>	<u>1996</u>
<u>State Funds Allocated:</u>		
General Outpatient Adult Services	\$ 286,596	267,248
Community Support, Residential and Acute Alternatives Contract	286,596	<u>285,624</u>
	<u>573,192</u>	<u>552,872</u>
 Matchable Revenues - Fiscal Years Ended June 30, 1995 and 1993	 <u>282,617</u>	 <u>285,624</u>
 <u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	573,192	552,872
Deduct lesser of:		
(a) Applicable Percentage of Matchable Revenues	573,192	552,872
(b) State Funds Allocated	573,192	562,872
Maximum Support - Lesser of A or B (Note 3)	<u>573,192</u>	<u>552,872</u>
Over (Under) Payment of State Matching Funds	\$ <u>0</u>	<u>0</u>

See accompanying notes to financial information.

:SP-20D.wk1

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
FISCAL YEAR ENDED JUNE 30, 1997 AND 1996

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Integrated Mental Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of the Providence Center for Counseling and Psychiatric Services.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lessor of the following:

- A. 202.816% of the matchable revenue for the fiscal year ended June 30, 1995 and 193.567% of the matchable revenue for the fiscal year ended June 30, 1993. MHRH held the fiscal year ended June 30, 1996 awards constant at fiscal year ended June 30, 1995 levels.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs

These accounts represent funding from sources other than MHRH-Division of Integrated Mental Health Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
STATE MATCHING GRANT PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEAR ENDED JUNE 30, 1997 and 1996

	<u>Fiscal Year Ended June 30</u>	
	<u>1997</u>	<u>1996</u>
<u>State of Rhode Island</u>		
Matching Grant - Adult	\$ 279,955	292,997
Community Support, Residential & Acute Alternatives	<u>1,521,732</u>	<u>1,876,350</u>
Total State Funds Allocated	1,801,687	2,169,347
<u>Matchable Revenues (Unrestricted)</u>		
Municipalities	951,159	254,500
Fund Fundraising & Contributions	<u>48,159</u>	<u>36,960</u>
Total Matchable Revenues (for Fiscal Years Ended June 30, 1999 and 1998)	999,318	291,460
<u>Nonmatchable Revenues</u>		
Community Support, Residential, & Acute Alternatives	282,617	285,624
Title XIX Program	6,847,202	7,019,566
Other Programs	4,597,531	5,494,549
Municipalities	92,684	-
Fund Raising Expense	469	21,358
Other State & Federal	798,650	471,251
Client Fees , Activities & Rental Income	216,355	188,755
Third Party Reimbursements	1,412,461	1,112,708
Interest	-	39,649
ProMail Sales	498,066	364,601
Consultations, Managed Care & Other	<u>706,611</u>	<u>645,585</u>
Total Nonmatchable Revenues	<u>15,452,646</u>	<u>15,643,646</u>
Total Revenues (Exhibits A and B, Respectively)	\$ <u>18,253,651</u>	<u>18,104,453</u>

:SP-20S1.wk1

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
FISCAL YEAR ENDED JUNE 30, 1997 AND 1996

STATUS OF PRIOR AUDIT RECOMMENDATIONS - JUNE 30, 1995

Inpatient and Acute Alternatives Program-Excess Revenue

1. Officials of MHRH should take into account the excess revenue of \$43,376 as available income for the Community Support and Related Services Contract when determining subsequent funding to The Providence Center for Counseling and Psychiatric Services.

Complied.

Representative Payee Program

2. That MHRH officials monitor this program for compliance with Social Security Policies and to ensure proper management of Representative Payee Funds.

Partially complied. (See recommendation 3).

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1997 and 1996 are summarized below:

Revenues Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1997</u>	<u>1996</u>
Community Support, Residential, and Acute Alternatives	\$ (288,196)	\$ 238,104
Adult General Outpatient Svcs.	(76,734)	4,315
Other Programs	<u>(369,364)</u>	<u>(138,562)</u>
Total Revenue (Deficiency)	\$ <u>(734,294)</u>	\$ <u>103,857</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has excess revenues in the amount of \$238,104 for the fiscal year ended June 30, 1996 (See Exhibit B). Addendum II of the performance contracts for that year states:

" If the performance standards have been met to the satisfaction of the Department and, upon review of the audit, an amount equal to that provided by the state has been spent, any non-state fund balance or surplus will be retained as restricted reserve and available for reprogramming, as income available for community support services in the year following the year being audited."

It was determined that the excess revenues were attributable to non-state sources. Nothing came to our attention to indicate that program standards had not been met to the satisfaction of the Department.

Recommendation

1. If performance standards have, in fact, been deemed satisfactory by the Department for the period under review, officials of MHRH should take into account the excess revenue of \$238,104 as available income for community support services when determining subsequent funding to The Providence Center for Counseling and Psychiatric Services.

Excess budget line item variances occurred in the Community Support, Residential, and Acute Alternatives program for the fiscal years ended June 30, 1997 and 1996. Addendum II, Sections II-4 and II-5 of the financial terms and conditions for the performance contracts states in part:

Section II-4:

"Any amendments to the approved budget detail on file with the Department, except as specifically exempted by #5 below, requires the prior written approval of the DEPARTMENT."

Section II-5:

"A line item deviation of 10% or \$5,000, whichever is greater, is allowed without Amendment."

A sampling of the amounts of budget line items in excess of 10% or \$5,000, whichever is greater is as follows:

<u>Line Item</u>	<u>6/30/97</u>	<u>6/30/96</u>
Utilities	\$ 26,468	\$ 42,194
Program Supplies	-0-	22,106
Building Maintenance	53,452	- 0-
Insurance	23,771	38,527

The Center did not submit any line item budget amendment requests to MHRH as required by the above state contract provisions.

Recommendation

2. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions.

General Adult Outpatient Program – State Matching Funds

Our review determined that there was no over funding of the Matching Program (See Exhibit D).

Matchable revenues were examined for fiscal years ended June 30, 1997 and 1996 and are summarized as follows:

	<u>1997</u>	<u>1996</u>
Municipalities	\$ 951,159	\$ 254,500
Fund-Raising & Contributions	<u>48,159</u>	<u>36,960</u>
Total Matchable Revenues	\$ <u>999,318</u>	\$ <u>291,460</u>

Funds received in fiscal year ended June 30, 1997 and 1996 will be the basis for determining state funds allocated by the Department of Mental Health, Retardation and Hospitals for the subsequent fiscal years ended June 30, 1999 and June 30, 1998, respectively.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period under review the following Division of Integrated Mental Health Services contracts had revenue deficiencies:

1997 – Community Support, Residential and Acute Alternative Services	\$ (288,196)
1996 – General Adult Outpatient	\$ (76,734)

Representative Payee Program

The Center manages, under the policies of the Social Security Administration's Representative Payee Program, Social Security and SSI payments made to more than 290 of the Center's clients. Some large payments made on the behalf of these clients lacked proper documentation which indicates a lack of accountability for client funds.

Recommendation

3. That MHRH officials monitor this program to ensure proper management of Representative Payee Funds.

Affiliated Corporations

The Center formed several nonprofit corporations which provide services adjunctive to the Center's programs. For the most part, the same Trustees serve both the affiliates and the Center. A listing of the affiliates is as follows:

Grandview Realty, Inc.

This non-profit corporation was formed in 1983 to own an apartment building which is used as a group home for chronically mentally ill clients served by the Center, and to administer the HUD Section 811 program.

Standard Realty, Inc.

This non-profit corporation was formed in 1982 to own and lease housing for the benefit of chronically mentally ill clients served by the Center. The corporation also subleases and rents apartments to clients at below fair market value rates.

Grandview Second Corporation

This corporation was reactivated during fiscal year 1995 to purchase two apartment buildings for rental to chronically mentally ill adult clients served by the Center, and to administer the HUD 811 program.